

Message Text

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ACTION EB-07

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AMEMBASSY TOKYO

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TAGS: ETRD, OECD, EEC

SUBJECT: PROPOSED OECD STEEL CONSULTATIONS

REF: (A) STATE 260106 (B) OECD PARIS 28548 (C) EC BRUSSELS 9623

1. ON NOVEMBER 4, WE INFORMED PHAN VAN PHI THAT THE US IS PREPARED TO PARTICIPATE IN THE OECD STEEL CONSULTATIONS ON NOVEMBER 13-14 OR NOVEMBER 17-18. WE TOLD PHAN VAN PHI THAT SINCE THE OECD SECRETARIAT HAS ALREADY SET THE CONSULTATIONS FOR NOVEMBER 13-14, WE ASSUMED THE US WAS IN EFFECT ACCEPTING THOSE DATES. IN RESPONSE TO OUR QUESTION REGARDING THE EC COMMISSION DELEGATION, PHAN VAN PHI SAID THAT LOEFF, THE EC COMMISSION'S DIRECTOR GENERAL FOR INDUSTRY, AND EITHER PHAN VAN PHI OR HIJZEN, WOULD ATTEND THE CONSULTATIONS. HE SAID THAT THE COMMISSION HOPED THAT OTHER DELEGATIONS WOULD HAVE SIMILAR COMPOSITION-INCLUDING BOTH INDUSTRY AND TRADE POLICY OFFICIALS-AND WOULD BE AT A COMPARABLE LEVEL OF RESPONSIBILITY.

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2. WHEN WE EXPLAINED THE BASIS ON WHICH THE US WOULD BE ATTENDING THE CONSULTATIONS, AS STATED IN REF A, PHAN VAN PHI SAID THAT THE COMMISSION'S MAIN OBJECTIVE WAS TO GET OTHER COUNTRIES TO RECOGNIZE THAT A PROBLEM DID EXIST IN THE EC STEEL INDUSTRY. HE HOPED THAT OTHER COUNTRIES WOULD NOT REFUSE TO GO THIS FAR SINCE SUCH REFUSAL WOULD STRENGTHEN THE HANDS OF THOSE WITHIN THE COMMUNITY WHO HAD DEMANDED UNILATERAL RESTRICTIVE ACTIONS. HE ASSURED US THAT THE EC HAD NO PROBLEM WITH THE US.

3. BEYOND USING THE CONSULTATIONS AS A SAFETY VALVE, THE COMMISSION'S THINKING IS STILL CONFUSED. IN CONVERSATIONS WITH THE AMBASSADOR AND THE DCM, GUNDELACH AS FOCUSED ON JAPANESE PRICE UNDERCUTTING AS THE PRINCIPAL PROBLEM FACING THE EC STEEL INDUSTRY. PHAN VAN PHI, HOWEVER, DOES NOT VIEW JAPAN AS THE MAJOR PROBLEM (BECAUSE HE PUTS RELIANCE ON BILATERAL PRESSURES ON JAPAN), BUT SEES THE POSSIBILITY THAT THE OECD CONSULTATIONS WILL ENCOURAGE SOME OTHER COUNTRIES TO EXERCISE RESTRAINT ON A TEMPORARY BASIS. IN PARTICULAR, HE HOPES THAT SPAIN, WITH WHICH THE COMMISSION CANNOT CONSULT DIRECTLY, WILL DECIDE TO EXERCISE RESTRAINT BOTH ON QUANTITIES SHIPPED AND, MORE IMPORTANTLY, ON PRICES. WHILE PETRICK, THE COMMISSION'S DIRECTOR FOR STEEL, DISAGREES WITH THE COMMISSION DECISION TO SEEK CONSULTATIONS INSTEAD OF TAKING INTERNAL MEASURES, HIS DESCRIPTION OF COMMISSION THINKING (SEE REF C) IS LIKE PHAN VAN PHI'S.

4. IN THE COURSE OF OUR CONVERSATION, PHAN VAN PHI NOTED THAT WHEN HIJZEN HAD SPOKEN ON THE MARGINS OF THE OECD XCSS TO AMBASSADOR YEUTTER (AND TO OTHERS), YEUTTER HAD EXPLAINED THAT SOME IN THE US WERE PUSHING FOR A SECTOR APPROACH IN THE MTNS ON STEEL. THE COMMISSION UNDERSTANDS THAT THIS WEEK THE US MAY BE MAKING PROPOSALS IN THE MTN SECTORS GROUP WHICH REFLECT THESE DESIRES. SO AS TO GIVE AT LEAST SOME SUPERFICIAL SATISFACTION TO THE UNITED STATES IN THIS REGARD, HIJZEN HAS INSTRUCTED ABBOTT, THE COMMISSION'S REPRESENTATIVE IN THE SECTORS GROUP, TO TRY TO FIND A WAY OF MAKING A PROCEDURAL CONCESSION TO THE US: FOR EXAMPLE, TO AGREE TO THE SECRETARIAT'S UPDATING ANY PREVIOUS STUDIES THAT HAVE BEEN MADE OF THE SITUATION IN THE STEEL INDUSTRY. MORRIS

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